

COMPANY RESULTS

Hume Cement Industries (HUME MK)

1QFY25: Below Expectations; Slower Rollout Of Mega Projects

Hume's 1QFY25 core net profit of RM47.4m (+12% qoq; -2% yoy) accounted for only 20% of our full-year forecast, largely due to weaker-than-expected market demand, despite cement ASP remaining stable at RM380/mt. A potential near-term catalyst is the commencement of the Penang LRT project in 2025. We revise down our FY25/26/27 earnings estimates by 14%/6%/5% respectively to reflect lower volume output. Maintain **BUY** with a lower target price of RM4.60.

1QFY25 RESULTS

Year to 30 Jun (RMm)	1QFY25 (RMm)	qoq % chg	yoy % chg	1QFY24 (RMm)	yoy % chg
Revenue	283.7	6.7	(7.5)	283.7	(7.5)
EBITDA	82.9	6.3	(4.5)	82.9	(4.5)
Operating profit	64.9	7.9	(6.6)	64.9	(6.6)
Finance costs	(3.5)	(1.0)	(40.2)	(3.5)	(40.2)
PBT	61.9	8.4	(3.1)	61.9	(3.1)
Tax	(14.5)	(0.8)	(7.0)	(14.5)	(7.0)
PAT	47.4	11.6	(1.9)	47.4	(1.9)
Core Profit/Loss	47.4	11.6	(1.9)	47.4	(1.9)
Margins (%)		+/- ppt	+/- ppt		+/- ppt
EBITDA margin	29.2	(0.1)	0.9	29.2	0.9
EBIT margin	22.9	0.2	0.2	22.9	0.2
PBT margin	21.8	0.3	1.0	21.8	1.0
Net margin	16.7	0.7	1.0	16.7	1.0

Source: Hume Industries, UOB Kay Hian

RESULTS

- Below expectations.** Hume Cement Industries (Hume) reported 1QFY25 core net profit of RM47.4m (+12% qoq; -2% yoy) on revenue of RM283.7m (+7% qoq, -8% yoy), accounting for only 20% of our full-year estimates. The negative variance was attributed to softer-than-expected market demand despite cement prices remaining stable at RM380/mt. The sequential surge in revenue and earnings was primarily driven by higher cement sales volume, attributed to more working days. However, the yoy decline in revenue and earnings was due to lower cement sales volume on reduced market demand, offset by lower input (Newcastle coal prices: -5% yoy) and production costs, which were supported by enhanced manufacturing efficiency.

KEY FINANCIALS

Year to 30 Jun (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	1,014	1,205	1,129	1,307	1,344
EBITDA	167	353	340	390	420
Operating profit	99	296	285	338	370
Net profit (rep./act.)	60	211	201	241	266
Net profit (adj.)	60	211	201	241	266
EPS (sen)	8.3	29.1	27.7	33.2	36.7
PE (x)	41.2	11.8	12.3	10.3	9.3
P/B (x)	5.8	4.2	3.5	2.9	2.4
EV/EBITDA (x)	14.9	7.1	7.4	6.4	5.9
Dividend yield (%)	0.0	2.3	3.2	3.9	4.3
Net margin (%)	5.9	17.5	17.8	18.4	19.8
Net debt/(cash) to equity (%)	107.4	33.1	3.3	(13.3)	(16.4)
Interest cover (x)	6.6	21.0	16.1	18.5	19.9
ROE (%)	8.7	41.6	31.1	30.6	28.3

Source: HUME, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM3.42
Target Price	RM4.60
Upside	+34.5%
(Previous TP)	RM5.10)

COMPANY DESCRIPTION

Hume is an emerging cement player and the third-largest cement player in Malaysia in terms of capacity.

STOCK DATA

GLCS sector	Materials
Bloomberg ticker:	HUME MK
Shares issued (m):	725.5
Market cap (RMm):	2,481.2
Market cap (US\$m):	553.2
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

52-week high/low RM3.97/RM1.78

1mth	3mth	6mth	1yr	YTD
4.6	3.3	9.9	88.0	54.8

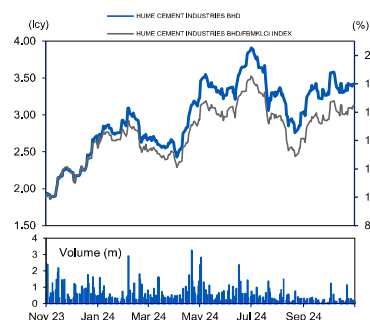
Major Shareholders

	%
Hong Leong Manufacturing Group	72.8
Public SmallCap	1.9
Goon Khing Khing	1.4

FY25 NAV/Share (RM) 0.99

FY25 Net Debt/Share (RM) 0.02

PRICE CHART



Source: Bloomberg

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- **Dividend.** Thanks to consistently strong profits and cash flow generation, the group declared a DPS of 4 sen in 1QFY25 (vs 2 sen in 1QFY24). As such, we expect a better DPS outlook for FY25-26, with a payout ratio of 40%. We anticipate FY25 net DPS to be 11.1 sen, translating to a net dividend yield of 3.2%. The group is currently undertaking a strategic review of its non-core businesses and assets. Any potential monetisation from this review could result in a higher dividend payout.

STOCK IMPACT

- **Delayed rollout of key mega infrastructure projects.** During the 2025 Budget presentation, Prime Minister Anwar Ibrahim emphasised that the time is not right for a large-scale rollout of mega infrastructure projects, with notable absences such as the MRT3 and HSR from the budget. However, two key projects were highlighted - the Johor Rapid Transit System (RTS) and the Penang Light Rail Transit (LRT). These projects, with a combined construction cost of RM16b to RM19b, are expected to be major catalysts in 2025, particularly since the Penang LRT (RM10b-13b) could begin as early as next year. Given that cement typically constitutes 15-20% of construction costs, this translates into a potential RM2.4b-3.8b demand for cement, further boosting the cement demand outlook.
- **2025 cement outlook remains steady.** We expect cement prices to remain sustainable as construction activities will remain stable. Projections indicate that cement prices will, at a minimum, hold steady at RM380/mt. Based on our channel checks, cement prices touched peak levels of RM400/mt for only four months out of a decade at pre-COVID-19 levels. However, when adjusted for inflation, the real cement price stands at RM470/mt, indicating room for an upside from the current cement price of RM380/mt. Simultaneously, coal prices, a primary input cost for cement players, are expected to fall further due to global decarbonisation initiatives. That said, we expect cement players to report robust yoy earnings growth in FY25, supported by high cement prices and stable production volume.

EARNINGS REVISION/RISK

- Downgrade FY25/26/27 earnings by 14%/6%/5% respectively, primarily due to a lower clinker utilisation rate driven by softer market demand.
- Based on our sensitivity analysis, a RM10/mt increase in cement prices in FY25 would boost Hume's annual earnings by 10%.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM4.60, in tandem with earnings cut,** still based on 15x 2025F PE, which is a slight premium compared with the 14x forward PE of the regional peers, reflecting a slightly better cement outlook in Malaysia. We continue to like Hume for its strong clinker capacity with a healthy utilisation rate and better cost management. We expect its FY25 results to gradually improve due to: a) better demand from the resumption of construction activities, b) recovery of cement ASP, and c) effective cost rationalisation.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental - The group's Gopeng cement plant holds ISO 14001 certification for environmental management systems. - The group has planted 570 trees in its plant in Gopeng. - The group has progressively reduced around 9% of its CO₂e emissions since 2019. • Social - Collectively, the group has provided over 7,000 hours of safety training to its employees. • Governance - The group's FTSE Russell ESG rating increased to 3.8 from 2.3. - 100% of Hume's plants have received ISO 37001 certification for anti-bribery and anti-corruption.

Source: Hume, UOB Kay Hian

KEY ASSUMPTIONS

Year to 31 Dec	2024	2025F	2026F	2027F
Current assumptions				
Cement prices (RM/mt)	375	380	390	400
EBITDA margin (%)	29.3	30.1	29.8	31.2
Net margin (%)	17.5	17.8	18.4	19.7

Source: HUME, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Net turnover	1,205.2	1,128.6	1,306.8	1,344.3
EBITDA	353.3	339.7	389.6	419.9
Deprec. & amort.	57.2	54.4	51.8	49.5
EBIT	296.2	285.3	337.8	370.5
Net interest income/(expense)	(16.8)	(21.1)	(21.1)	(21.1)
Pre-tax profit	279.4	264.2	316.7	349.3
Tax	(68.4)	(63.4)	(76.0)	(83.8)
Minorities	0.0	0.0	0.0	0.0
Net profit	210.9	200.8	240.7	265.5
Net profit (adj.)	210.9	200.8	240.7	265.5

BALANCE SHEET

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Fixed assets	700.6	673.8	642.0	612.5
Other LT assets	191.2	186.4	263.4	312.7
Cash/ST investment	108.3	278.8	414.1	468.5
Other current assets	222.0	322.1	365.3	445.8
Total assets	1,222.1	1,461.1	1,684.7	1,839.5
ST debt	124.6	124.6	124.6	124.6
Other current liabilities	173.6	292.0	371.3	366.8
LT debt	177.3	177.3	177.3	177.3
Other LT liabilities	161.8	161.8	161.8	161.8
Shareholders' equity	584.9	705.3	849.7	1,009.0
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,222.1	1,461.0	1,684.7	1,839.5

CASH FLOW

Year to 30 Jun (RMm)	2024	2025F	2026F	2027F
Operating	363.5	276.0	286.3	314.6
Pre-tax profit	279.4	264.2	316.7	349.3
Tax	(68.4)	(63.4)	(76.0)	(83.8)
Deprec. & amort.	57.2	54.4	51.8	49.5
Working capital changes	17.5	20.8	(6.2)	(1.3)
Other operating cashflows	77.8	0.0	0.0	1.0
Investing	(33.0)	(20.0)	(20.0)	(18.0)
Capex (growth)	0.0	0.0	0.0	0.0
Capex (maintenance)	0.0	0.0	0.0	0.0
Others	(33.2)	(20.0)	(20.0)	(19.0)
Financing	(273.4)	(160.3)	(126.3)	(105.2)
Dividend payments	(55.9)	(80.3)	(96.3)	(106.2)
Proceeds from borrowings	980.5	0.0	0.0	0.0
Loan repayment	(1,190.4)	(80.0)	(30.0)	0.0
Others/interest paid	(7.6)	0.0	0.0	1.0
Net cash inflow (outflow)	57.0	95.7	140.0	191.4
Beginning cash & cash equivalent	51.7	183.1	274.1	275.1
Changes due to forex impact	(0.4)	0.0	0.0	0.0
Ending cash & cash equivalent	108.3	278.8	414.1	468.5

KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	29.3	30.1	29.8	31.2
Pre-tax margin	23.2	23.4	24.2	26.0
Net margin	17.5	17.8	18.4	19.7
ROA	17.5	15.0	15.3	15.1
ROE	41.6	31.1	31.0	28.6
Growth				
Turnover	18.8	(6.4)	15.8	2.9
EBITDA	111.3	(3.9)	14.7	7.8
Pre-tax profit	279.6	(5.4)	19.9	10.3
Net profit	251.3	(4.8)	19.9	10.3
Net profit (adj.)	251.3	(4.8)	19.9	10.3
EPS	251.3	(4.8)	19.9	10.3
Leverage				
Debt to total capital	34.0	30.0	26.2	23.0
Debt to equity	51.6	42.8	35.5	29.9
Net debt/(cash) to equity	33.1	3.3	(13.2)	(16.5)
Interest cover (x)	21.1	16.1	18.4	19.9

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